



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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COMMISSION LEVIES CHARGES AGAINST RESORT TIMESHARE PROGRAM Indiana Man and Three International Companies Charged with Securities Fraud

PHOENIX – The Arizona Corporation Commission is charging a company that operates an international timeshare program, its founder, and two affiliated entities with engaging in the sale of unregistered securities to over 350 Arizonans.

The Commission issued a temporary cease and desist order against the following individual and related companies for violating Arizona securities laws:

- Michael E. Kelly of South Bend, Indiana
- Yucatan Resorts, Inc., Cancun, Mexico and South Bend, Indiana
- Resort Holdings International, Inc., Cancun, Mexico and South Bend, Indiana
- World Phantasy Tours, Inc., Panama

Kelly is the founder and president of Yucatan, the company charged with developing a timeshare program whereby investors purchased timeshare units in various resorts throughout Mexico and Central America. Yucatan's affiliate, Resort Holdings International, is charged with distributing the Yucatan program and with providing promotional and sales recruitment assistance. Investigators believe World Phantasy Tours, based in Panama, acted as the resort management and servicing agent for the program.

The Yucatan investment opportunity is based upon its "Universal Lease Program," an arrangement that purportedly offers investors the opportunity to purchase timeshare units for a minimum investment of \$5,000.

Yucatan promotional materials guaranteed investors a nine percent return over 25 years, but only if investors utilized World Phantasy Tours to manage and service the timeshare units. Yucatan's promotional literature touted

the timeshare program as being fully secured and debt-free, but the Commission alleges that the Yucatan program failed to provide investors with any financial information to support these claims. Similarly, the program failed to disclose where, and for what purpose, the investors' money would be used.

The Commission also charges that Yucatan failed to properly inform investors of:

- The risks associated with investing in a foreign country, and
- The company's previous sanctions for securities fraud in other U.S. jurisdictions.

The immediate effect of this order is that Yucatan and its affiliated entities can no longer offer or sell the "Universal Lease Program" within or from Arizona. This prohibition equally extends to Yucatan sales agents, many of whom serve as insurance agents or other financial professionals.

In some instances, the sale of timeshares would not be considered a securities transaction subject to regulatory oversight by the Commission. According to investigators, however, the manner in which these timeshares were offered and sold, the promise of secured investments, and the promise of a nine percent annualized return over a 25-year period made the offer a securities transaction.

Prior to investing in timeshares, people should verify registration of sellers and investment opportunities by contacting the Department of Real Estate at 602-468-1414 and the Commission's Securities Division at 602-542-4242, toll free outside the Phoenix Metropolitan Area at 1-877-811-3878. The Division's website also has helpful information for investors: www.ccsd.cc.state.az.us.

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